

# TRINITY COUNTY

Audit Report

## PROPERTY TAX APPORTIONMENT AND ALLOCATION SYSTEM

*July 1, 2005, through June 30, 2013*



JOHN CHIANG  
California State Controller

June 2014



**JOHN CHIANG**  
**California State Controller**

June 12, 2014

Angela Bickle  
Trinity County Auditor Controller  
P.O. Box 1230  
11 Court Street  
Weaverville, Ca 96093

Dear Ms. Bickle:

The State Controller's Office audited the methods employed by Trinity County to apportion and allocate property tax revenues for the period of July 1, 2005, through June 30, 2013. The audit was conducted pursuant to the requirements of Government Code section 12468.

Our audit disclosed that the county complied with California statutes, except that it:

- Did not carry forward prior year revenues when adding annual tax increment in fiscal year (FY) 2012-13.
- Incorrectly calculated and applied the SB85 Negative Bailout Cap.
- Made the following errors in calculating its Unitary Debt Service Tax Rate:
  - In FY 2006-07, the county did not carry forward the prior-year unitary debt service rate.
  - In FY 2011-12, the county incorrectly calculated the immediate prior-year Countywide Secured Debt Service Levy.
  - In FY 2012-13, the county incorrectly calculated the second prior-year Countywide Secured Debt Service Levy.
- Made the following errors in allocating its unitary property tax revenues:
  - In FY 2006-07, FY 2009-10, and FY 2012-13, the county did not carry forward prior-year unitary factors for the allocation of up to 102% of prior-year revenues.
  - During all fiscal years (FY 2005-06 through FY 2012-13), the county included the Educational Revenue Augmentation Fund (ERAF) in the apportionment of unitary revenues.
  - During all fiscal years under audit (FY 2005-06 through FY 2012-13), the estimated tax collection was greater than 1% of assessed valuation (AV). **Note:** the prior audit showed estimated tax collection at 1% of AV in FY 2004-05.

- Carried forward incorrect ERAF amounts for the County General Fund and Hayfork Lighting in FY 2005-06.
- Adjusted the Vehicle Licensing Fee for growth twice in FY 2008-09 and FY 2009-10.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, at (916) 324-0622.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/mh

cc: Jody Martin, Principal Consultant  
Joint Legislative Budget Committee  
Peter Detwiler, Staff Director  
Senate Local Government Committee  
Elvia Dias, Committee Assistant  
Senate Local Government Committee  
Dixie Martineau-Petty, Secretary  
Assembly Local Government Committee  
Gayle Miller, Staff Director  
Senate Revenue and Taxation Committee  
Oksana Jaffe, Chief Consultant  
Assembly Revenue and Taxation Committee  
Neil McCormick, Executive Director  
California Special Districts Association

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the methods employed by Trinity County to apportion and allocate property tax revenues for the period of July 1, 2005, through June 30, 2013.

Our audit disclosed that the county complied with California statutes for the allocation and apportionment of property tax revenues, except that it:

- Did not carry forward prior year revenues when adding annual tax increment in fiscal year (FY) 2012-13.
- Incorrectly calculated and applied the SB85 Negative Bailout Cap.
- Made the following errors in calculating its Unitary Debt Service Tax Rate:
  - In FY 2006-07, the county did not carry forward the prior-year unitary debt service rate.
  - In FY 2011-12, the county incorrectly calculated the immediate prior-year Countywide Secured Debt Service Levy.
  - In FY 2012-13, the county incorrectly calculated the second prior-year Countywide Secured Debt Service Levy.
- Made the following errors in allocating its unitary property tax revenues:
  - In FY 2006-07, FY 2009-10, and FY 2012-13, the county did not carry forward prior-year unitary factors for the allocation of up to 102% of prior-year revenues.
  - During all fiscal years (FY 2005-06 through FY 2012-13), the county included the Educational Revenue Augmentation Fund (ERAF) in the apportionment of unitary revenues.
  - During all fiscal years under audit (FY 2005-06 through FY 2012-13), the estimated tax collection was greater than 1% of assessed valuation (AV). **Note:** the prior audit showed estimated tax collection at 1% of AV in FY 2004-05.
- Carried forward incorrect ERAF amounts for the County General Fund and Hayfork Lighting in FY 2005-06.
- Adjusted the Vehicle Licensing Fee for growth twice in FY 2008-09 and FY 2009-10.

## Background

After the passage of Proposition 13 in 1978, the California State Legislature enacted new methods for allocating and apportioning property tax revenues to local government agencies and public schools. The main objective was to provide local government agencies with a property tax base that would grow as assessed property values increased. These methods have been further refined in subsequent laws passed by the Legislature.

One key law was Assembly Bill (AB) 8, Chapter 282, Statutes of 1979, which established the method of allocating property taxes for FY 1979-80 (base year) and subsequent fiscal years. The methodology is commonly referred to as the AB 8 process or the AB 8 system.

The property tax revenues that local government agencies receive each fiscal year are based on the amount received in the prior year, plus a share of the property tax growth within their boundaries. Property tax revenues are then apportioned and allocated to local agencies and schools using prescribed formulas and methods defined in the Revenue and Taxation Code.

The AB 8 base process involved numerous steps, including the transfer of revenues from schools to local agencies (AB 8 shift) and the development of the tax rate area annual tax increment apportionment factors (ATI factors), which determine the amount of property tax revenues to be allocated to each jurisdiction.

The total amount to be allocated to each jurisdiction is then divided by the total amount to be allocated to all entities to determine the AB 8 apportionment factor (percentage share) for each entity for the year. The AB 8 factors are computed each year for all entities, using the revenue amounts established in the prior year. These amounts are adjusted for growth annually, using ATI factors.

Subsequent legislation removed revenues generated by unitary and nonunitary properties, regulated railway companies, and qualified electric properties from the AB 8 process. These revenues are now allocated and apportioned under separate processes.

Other legislation established an Educational Revenue Augmentation Fund in each county. Most local government agencies are required to transfer a portion of their property tax revenues to the fund. The fund is subsequently allocated and apportioned to schools by the county auditor according to instructions received from the county superintendent of schools or the State Chancellor of Community Colleges.

Revenues generated by the different types of property tax are apportioned and allocated to local agencies and schools using prescribed formulas and methods, as defined in the Revenue and Taxation Code. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls maintained primarily by the

county assessor. Tax rolls contain an entry for each parcel of land, including the parcel number, the owner's name, and the value. Following are the types of property tax rolls:

- *Secured Roll*—This roll contains property that, in the opinion of the assessor, has sufficient value to guarantee payment of the tax levies and that, if necessary, can be sold by the tax collector to satisfy unpaid tax levies.
- *Unsecured Roll*—This roll contains property that, in the opinion of the assessor, does not have sufficient “permanence” or have other intrinsic qualities to guarantee payment of taxes levied against it.
- *State-Assessed Roll*—This roll contains public utility, railroad, and qualified electric properties, assessed as either unitary or nonunitary property by the State Board of Equalization.
- *Supplemental Roll*—This roll contains property that has been reassessed due to a change in ownership or the completion of new construction, where the resulting change in assessed value is not reflected in other tax rolls.

To mitigate problems associated with the apportionment and allocation of property taxes, Senate Bill 418 was enacted in 1985 requiring the State Controller to audit the counties' apportionment and allocation methods and report the results to the California State Legislature.

## **Objective, Scope, and Methodology**

Our audit objective was to review the county's apportionment and allocation of property tax revenues to local government agencies and public schools within its jurisdiction to determine whether the county complied with Revenue and Taxation Code requirements.

To meet the objective, we reviewed the county's procedures for apportioning and allocating property tax revenues used by the county auditor and the processes used by the tax collector and the assessor.

We performed the following procedures:

- Conducted tests to determine whether the county correctly apportioned and allocated property tax revenue.
- Interviewed key personnel and reviewed supporting documentation to gain an understanding of the county's property tax apportionment and allocation processes.
- Reviewed apportionment and allocation reports prepared by the county showing the computations used to develop the property tax distribution factors.

- Reviewed tax rate area reports to verify that the annual tax increment was computed properly.
- Reviewed county unitary and operating nonunitary reports and Board of Equalization reports and verified the computations used by the county to develop the unitary and operating nonunitary property tax distribution factors.
- Reviewed ERAF reports prepared by the county and verified the computations used to determine the shift of property taxes from local agencies to the ERAF and, subsequently, to public schools.

We conducted this performance audit under the authority of Government Code sections 12468 and 12410. We did not audit the county's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period of July 1, 2005, through June 30, 2013. Our audit scope was limited to:

- Reviewing operational procedures and significant applicable controls over the apportionment and allocation process;
- Examining selected property tax apportionment and allocation records; and
- Reviewing related property tax revenue data used to determine the apportionment and allocation computation process.

A property tax bill contains the property tax levied at a 1% tax rate pursuant to the requirement of Proposition 13. A bill may also contain special taxes, debt services levies on voter-approved debt, fees, and assessments levied by the county or a city. The scope of our audit is concerned with the distribution of the 1% tax levy. Special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city are beyond the scope of our audit and were not reviewed or audited.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow in order to develop appropriate auditing procedures. We did not evaluate the effectiveness of all internal controls.

In addition, we tested transactions used to apportion and allocate property taxes and performed other procedures deemed necessary. This report relates solely to the method used by the county to apportion and allocate property taxes.

**Conclusion**

Our audit disclosed that, except for the items discussed in the Findings and Recommendations section of this report, Trinity County complied with California statutes for the apportionment and allocation of property tax revenues for the period of July 1, 2005, through June 30, 2013. The county should correct the items discussed in the Findings and Recommendations section.

**Follow-up on Prior Audit Findings**

Our prior audit report, issued December 8, 2006, did not contain findings related to the apportionment and allocation of property tax revenues by the county.

**Views of Responsible Official**

We issued a draft audit report on March 20, 2014. Angela Bickle, Interim Auditor-Controller, responded by letter dated May 12, 2014 (Attachment). She generally agreed with the audit results.

**Restricted Use**

This report is solely for the information and use of Trinity County, the California Legislature, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

June 12, 2014

# Findings and Recommendations

## **FINDING 1— Calculation and distribution of annual tax increment**

In fiscal year (FY) 2012-13, the county did not carry forward prior year revenues when the adding annual tax increment. This error caused the countywide AB8 factors to be incorrect, resulting in a misallocation of property tax revenues to all jurisdictions, including an under-allocation of approximately \$42,700 to the county and \$50,500 to the Educational Revenue Augmentation Fund (ERAF). (See Schedule 1.)

Requirements for the apportionment and allocation of the annual tax increment (ATI) are found in Revenue and Taxation Code sections 96 through 96.5. The annual increment of property tax, which is the change in assessed value from one year to the next, is allocated to tax rate areas (TRA) on the basis of each TRA's share of the incremental growth in assessed valuations. The tax increment is then multiplied by the jurisdiction's annual tax increment apportionment factors for each TRA. These factors were developed in the 1979-80 base year and are adjusted for jurisdictional changes. The tax increment is then added to the tax computed for the prior fiscal year to develop the apportionment for the current fiscal year.

### Recommendation

The county should re-calculate AB8 and correct any misallocations of property tax revenues. The county should use the corrected calculations in the future.

### County's Response

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review.

### SCO Comment

The SCO accepts the county's corrections and will confirm the application in the next audit.

## **FINDING 2— Negative Bailout**

The county incorrectly calculated the Negative Bailout amount. The county also incorrectly applied the Negative Bailout amount, reducing its contribution to the ERAF. These errors resulted in an over-allocation to the county of approximately \$533,299, an under-allocation to the ERAF of approximately \$537,528, and a misallocation to all school jurisdictions. (See Schedule 1.)

After the passage of Proposition 13, the Legislature passed SB 154 (Chapter 292, Statutes of 1978), providing for the distribution of state assistance or bailout to make up, in part, for local property tax losses. The relief for counties was \$436 million in cash grants, plus the State's assumption of \$1 billion associated with mandated health and welfare programs.

In the second year following the passage of Proposition 13, the Legislature passed AB 8 (Chapter 282, Statutes of 1979), which provided for a long-term solution for the bailout program consisting of a one-time adjustment (shift) that created a new property tax base for each local agency.

Counties received 100% of their SB 154 block grant and a small adjustment for Aid to Families with Dependent Children, minus the amount of the indigent health block grant. For some counties, the value of the indigent health block grant was so great it exceeded the value of the SB 154 block grant. In those cases, the AB 8 shift resulted in a reduction of property tax base instead of an increase. These counties are referred to as “Negative Bailout counties.” For all but the Negative Bailout counties, the increased property tax was deducted from the schools property tax. For the Negative Bailout counties, school property taxes were supposed to increase by the Negative Bailout amount in the respective counties.

It was subsequently discovered that the Negative Bailout counties were not transferring the required property taxes to the schools. The Legislature consequently passed AB 2162 (Chapter 899, Statutes of 1983), forgiving prior allocation errors but requiring future payments to be made in accordance with statute.

The Negative Bailout amount has grown each year as the assessed value of property in the counties has grown. For many years, the Negative Bailout counties tried unsuccessfully to have the Negative Bailout amount eliminated. In 2010, the Legislature passed SB 85 (Chapter 5, Statutes of 2010), which did not eliminate the negative bailout amount, but capped it according to a specified formula.

#### Recommendation

The county should reverse the decrease to its ERAF contribution for FY 2011-12 and FY 2012-13 (\$645,304.53 and \$13,441.69, respectively), and all subsequent adjustments.

For FY 2011-12, the county should decrease the AB8 property tax allocations for school entities by a proportionate amount of the current year SB85 Negative Bailout amount (\$511,580). The county should then increase the AB8 property tax allocations for school entities by a proportionate amount of the lesser of current or prior year SB85 Negative Bailout amounts (\$511,580 and \$499,181, respectively), with the difference going to the county (in this instance \$12,399).

The county should perform the same process mentioned above for FY 2012-13, reducing the allocations to school entities by a proportionate amount of the current year SB85 Negative Bailout amount (\$522,518), then increasing the allocations to school entities by a proportionate amount of the lesser of current year or prior year (in this case, \$522,518 and \$499,181, respectively). The difference should go to the county (\$23,337).

In FY 2013-14 and every year thereafter, the county should decrease the AB8 property tax allocations for school entities by a proportionate amount of the current year SB85 Negative Bailout amount (\$522,518 adjusted annually for countywide growth). The county should then increase the AB8 property tax allocations for school entities by a proportionate amount of the increase amount used in the prior year (\$499,181), with the difference going to the county.

#### County's Response

The county states that it is experiencing incremental growth. The county also asserts that the SCO provided erroneous guidance in implementing the SB85 Negative Bailout calculation. However, the county has completed all necessary changes and submitted them to the SCO for review, and has obtained confirmation that the changes were made appropriately.

#### SCO Comment

The SCO concurs that the county is experiencing incremental growth and that there was an initial misunderstanding regarding the SB85 Negative Bailout calculation that was subsequently clarified. The SCO accepts the county's corrections and will confirm the application in the next audit.

### **FINDING 3— Unitary Debt Service**

The county made the following errors in its calculation of the Unitary Debt Service Rate:

- In FY 2006-07, the county did not carry forward the prior year unitary debt service rate.
- In FY 2011-12, the county incorrectly calculated the immediate prior year Countywide Secured Debt Service Levy.
- In FY 2012-13, the county incorrectly calculated the second prior year Countywide Secured Debt Service Levy.

These errors resulted in an under-collection of property tax revenues in the amount of approximately \$6,566.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which the Board of Equalization "may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee" (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, "Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee."

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary

property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

#### Recommendation

The county should recalculate the unitary debt service rate, beginning in 2006-07. The county should use the corrected rate in subsequent unitary debt service rate calculations.

#### County's Response

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review.

#### SCO Comment

The SCO accepts the county's corrections and will confirm the application in the next audit.

### **FINDING 4— Unitary and operating nonunitary apportionment**

The county incorrectly allocated unitary property tax revenues by making the following errors:

- In FY 2006-07, FY 2009-10, and FY 2012-13, the county did not carry forward prior year unitary factors for the allocation of up to 102% of prior-year revenues
- During all fiscal years (FY 2005-06 through FY 2012-13), the county included the ERAF in the apportionment of unitary revenues.
- During all fiscal years under audit (FY 2005-06 through FY 2012-13), the estimated tax collection was greater than 1% of AV. **Note:** the prior audit showed estimated tax collection at 1% in FY 2004-05.

These errors resulted in a misallocation to all jurisdictions that receive unitary property tax.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which the Board of Equalization "may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee" (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, "Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee."

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary

property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

#### Recommendation

The county should recalculate the unitary property tax allocation factors beginning in FY 2006-07, correcting all errors noted above except for the inclusion of ERAF. The county should remove the ERAF in the FY 2013-14 calculations. The county should use these corrected factors in all subsequent unitary calculations and apportionments.

#### County's Response

The county stated that the assessed valuation (AV) used in determining current year unitary revenues for FY 2008-09 through FY 2012-13 match the values provided to the county by the Board of Equalization. The county provided the SCO with verification.

The county concurs with the remainder of the finding and recommendation. The county has submitted the corrections to the SCO for review.

#### SCO Comment

The county does not bill parcels for which the tax is \$20.00 or less (\$2000.00 in AV). Once these parcels are removed from the unitary total, the AVs used by the county to calculate unitary revenues for FYs 2008-09 through 2012-13 match the values provided to the county by the Board of Equalization.

The SCO accepts the county's corrections and will confirm the application in the next audit.

### **FINDING 5— Educational Revenue Augmentation Fund**

In FY 2005-06, the county carried forward incorrect ERAF amounts for the County General Fund and Hayfork Lighting. The error compounded over subsequent years, resulting in an under-allocation of approximately \$154,397 and \$3,107, respectively (combined over-allocation to the ERAF of \$157,504). (See Schedule 1.)

Requirements for the local agency shift of property tax revenues to the ERAF are primarily found in Revenue and Taxation Code sections 97.1 through 97.3. Beginning in FY 1992-93, most local agencies were required to shift an amount of property tax revenues to the ERAF using formulas detailed in the code. The property tax revenues in the ERAF are subsequently allocated to the public schools using factors supplied by the county superintendent of schools.

For FY 1992-93, the ERAF shift amount for cities was determined by adding a per capita amount to a percentage of property tax revenues received by each city. The amount for counties was determined by adding a flat amount, adjusted for growth, to a per capita amount. The amount for special districts was generally determined by shifting the

lesser of 10% of that district's total annual revenues as shown in the FY 1989-90 edition of the SCO's *Report on Financial Transactions Concerning Special Districts* or 40% of the FY 1991-92 property tax revenues received, adjusted for growth. Specified special districts were exempted from the shift.

For FY 1993-94, the ERAF shift for cities and counties was generally determined by:

1. Reducing the FY 1992-93 ERAF shift by the FY 1992-93 per capita shift;
2. Adjusting the result for growth; and
3. Adding the result to a flat amount and a per capita amount determined by the Department of Finance, adjusted for growth.

The FY 1993-94 ERAF shift for special districts, other than fire districts, was generally determined by:

1. Multiplying the property tax allocation for FY 1992-93, pre-ERAF, by the Special District Augmentation Fund (SDAF) factor for the district effective on June 15, 1993;
2. Adjusting this amount by subtracting the FY 1992-93 shift to the ERAF;
3. If the above amount is greater than zero, adjusting this amount for FY 1993-94 growth (zero is used for negative amounts); and
4. Adding this amount to the FY 1992-93 ERAF shift, adjusting for growth.

For fire districts, the FY 1993-94 ERAF shift was generally determined by:

1. Deducting the FY 1992-93 ERAF shift for the district from the FY 1992-93 property tax allocation;
2. Multiplying the result by the SDAF factor for the district effective on June 13, 1993 (net current-year bailout equivalent);
3. For a district governed by a board of supervisors, deducting the amount received from the SDAF in FY 1992-93 from the net current-year bailout equivalent; or, for an independent district, deducting the amount received from the SDAF and the difference between the net current-year bailout equivalent and the amount contributed to the SDAF from the net current-year bailout equivalent;
4. Adjusting this amount for growth; and
5. Adding this amount to the FY 1992-93 ERAF shift, adjusted for growth.

For fiscal years subsequent to FY 1993-94, the amounts determined are adjusted for growth annually to determine the ERAF shift amounts for that year.

#### Recommendation

The county should recalculate the ERAF shift beginning in FY 2005-06 and correct any misallocated amounts. The county should use these corrected calculations in the future.

#### County's Response

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review.

#### SCO Comment

The SCO accepts the county's corrections and will confirm the application in the next audit.

### **FINDING 6— Educational Revenue Augmentation Fund (ERAF)-Vehicle Licensing Fee (VLF)**

In FY 2008-09 and FY 2009-10, the county adjusted the Vehicle Licensing Fee (VLF) for growth twice, resulting in an over-allocation to the county and under-allocation to the ERAF of approximately \$441,069.

While this error does have an effect on the county's calculation of unitary and supplemental apportionments, the only material impact is to secured/unsecured property tax revenues.

Requirements for the ERAF adjustment for the VLF are found in Revenue and Taxation Code section 97.70.

#### Recommendation

The county should recalculate the VLF amount beginning in FY 2008-09. The county should repay the ERAF any under-allocated amounts, and correct the negative ERAF adjustments to schools. These adjustments should result in a zero net affect to the ERAF due to the amount of negative ERAF in the county.

The county should use the recalculated VLF amounts in the future.

#### County's Response

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review.

#### SCO Comment

The SCO accepts the county's corrections and will confirm the application in the next audit.

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**Schedule 1—  
Summary of Misallocations to the  
Educational Revenue Augmentation Fund  
July 1, 2005, through June 30, 2013**

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<u>Finding No.</u>	<u>Years Affected</u>	<u>Amount Due to (owned from) the ERAF</u>
1	2012-13	\$ 50,500
2	2011-12 through 2012-13	537,528
5	2005-06 through 2012-13	(157,504)
6	2008-09 through 2012-13	<u>441,069</u>
Totals		<u>\$ 871,593</u>

Note: Revenue and Taxation Code Section 96.1 limits the maximum amount due the ERAF from the county to 1% of the 1% tax levied on the current (2013-14) fiscal-year assessed value. This amount for Trinity County is \$126,527.

**Attachment—  
County's Response to  
Draft Audit Report**

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**TRINITY COUNTY**  
ANGELA BICKLE, INTERIM AUDITOR-CONTROLLER  
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093-1230  
PHONE (530) 623-1317 FAX (530) 623-1323

May 12, 2014

State Controller's Office  
Attention: Elizabeth Gonzalez  
PO Box 942850  
Sacramento, CA 94250-5874

Dear Ms. Gonzalez:

This letter details my comments concerning the property tax draft audit report issued by your office covering the period of July 1, 2005 through June 30, 2013.

The following are my comments concerning each of the findings listed below:

**Finding 1**

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review. Based on Matt Slaughter's initial review, he determined that the corrections were made appropriately.

**Finding 2**

First of all the County is not experiencing decrement as stated on page 8 of your draft report, instead we are experiencing incremental growth.

Second, this finding occurred due to erroneous guidance provided by Moses Laurel a property tax auditor from the State Controller's Office. Moses contacted Trinity County and offered his assistance in implementing the negative bailout calculation and also made the necessary changes to our property tax allocation spreadsheets during his onsite visit. We relied upon his expertise only to find out later that his guidance was incorrect.

Upon notification of this finding by Matt Slaughter SCO property tax auditor and Greg Brummels SCO property tax consultant, we recalculated our negative bailout allocations for use in future calculations.

After hearing Greg Brummels presentation of how negative bailout should be calculated we concur with this finding and recommendation. We have completed all necessary changes and submitted them to the SCO for review and obtained confirmation that they were made appropriately.

**Finding 3**

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review. Based on Matt Slaughter's initial review, he determined that the corrections were made appropriately.

**Finding 4**

First, the AV value provided to the County by the Board of Equalization for FY 2008/09 through 2012/13 does in fact match the assessed valuation used in determining the current year unitary revenue. Therefore, bullet number 3 in this finding should be removed as this was proven to Matt Slaughter SCO property tax auditor.

Second, we concur with the remainder of this finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review. Based on Matt Slaughter's initial review, he determined that the corrections were made appropriately.

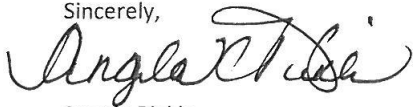
**Finding 5**

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review. Based on Matt Slaughter's initial review, he determined that the corrections were made appropriately.

**Finding 6**

We concur with the finding and the recommendation. We have completed all necessary corrections and submitted them to the State Controller's Office for review. Based on Matt Slaughter's initial review, he determined that the corrections were made appropriately.

Sincerely,

A handwritten signature in black ink, appearing to read "Angela Bickle", written in a cursive style.

Angela Bickle

Interim Auditor-Controller

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